

## *Measure Would Separate Investment & Commercial Banking to Protect the Public*

*Washington, DC* - In an effort to restore commonsense and important safeguards to the financial sector, Congressman Maurice Hinchey (D-NY) will offer an amendment in the House this week that would reinstate the Banking Act of 1933, better known as the Glass-Steagall Act, in order to separate investment banking from commercial banking. Hinchey will offer his amendment to H.R. 4173, the Wall Street Reform and Consumer Protection Act, with the goal of breaking up oversized banks, restoring consumer protections, and avoiding future financial collapses like the one that began last year. The Glass-Steagall Act was repealed in 1999 by the Gramm-Leach-Bliley Act, which paved the way for the establishment of super-sized banks that serve as both commercial lending institutions and investment companies.

"When Glass-Steagall was repealed, it allowed individual banks to serve as one-stop shopping for commercial lending and investment banking. It was a recipe for disaster because these banks were empowered to make large bets with depositors' money and money they didn't really have. When many of those bets, particularly in the housing sector, didn't pan out, the whole deck of cards came crumbling down and U.S. taxpayers had to come to the rescue," Hinchey said. "The absence of the protections in the Glass-Steagall Act essentially turned these financial giants into quasi-government entities because they were only able to survive the recent collapse with government assistance."

Today, just four huge financial institutions hold half the mortgages in America, issue nearly two-thirds of credit cards, and control about 40 percent of all bank deposits in the U.S. In addition, the face value of over-the-counter derivatives at commercial banks has grown to \$290 trillion, 95 percent of which are held at just five financial institutions.

Hinchey's amendment, which is being cosponsored by Congressmen John Conyers (D-MI), Peter DeFazio (D-OR), Jay Inslee (D-WA), and John Tierney (D-MA), would statutorily require banking giants to decide whether they want to serve as a commercial bank or an investment bank and require them to cease activities in one of those areas within one year of the bill's enactment. The amendment first needs to be accepted by the House Rules Committee, which will meet on Tuesday to examine this and other amendments before it can be brought to the House floor for full House consideration.

"We need to bring the American banking system back to earth so that it functions in a way that benefits all Americans, not just bank executives who stand to make a fortune if things go well and a smaller fortune if they don't," Hinchey said. "The financial system in this country has been rigged and this amendment would help undo the circumstances that led to this most recent collapse while helping to prevent future ones."

Hinchey is also the author of the Too Big to Fail, Too Big to Exist Act, which would require the Secretary of the Treasury to dismantle any U.S. financial institution deemed to be so big that its potential collapse would undermine the entire U.S. economy. U.S. Senator Bernie Sanders (I-VT) is the author of that legislation in the Senate.